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TAGS: [MASS PHUM](#) [PGOV NP](#)
SUBJECT: MAOISTS RUNNING THE SHOW IN BIRATNAGAR AND
BHAIRAHAWA

REF: KATHMANDU 2763

Classified By: Ambassador James F. Moriarty. Reasons 1.4 b/d).

Summary

¶1. (C) Recent visits to two towns on Nepal's southern border with India revealed a sharp deterioration in law and order with Maoist extortion, opportunistic violence, and intimidation interrupting the local economies while government security forces stood idly by. The South and Central Asia Bureau's Director of the India, Nepal, and Sri Lanka Office (SCA/INS) visit Biratnagar, a border town in Nepal's eastern Morang District, while Emboffs and DATT visited Bhairahawa, a border town in the western Rupandehi District. Business leaders complained of increased extortion since the April People's Movement, including illegal taxation and extortion at border crossings in both cities. Police presence was minimal and passive at the border in Biratnagar, and absent at the border in Bhairahawa. Chief District Officers and security officials also reported that Maoists were patrolling the streets and their "People's Courts" continued to operate. Despite the increase in extortion and intimidation, officials in both the political and security sectors asserted that bringing Maoists into the political mainstream while building the capacity and morale of local police would offer the best chance to end Maoist criminal behavior and intimidation. End Summary.

BUSINESS AFFECTED; EVEN NGOS TARGETED

¶2. (C) The South and Central Asia Bureau's India, Nepal and Sri Lanka Office Director's visit to the border town of Biratnagar in Nepal's eastern Morang District on October 13 and Emboffs' and DATT's visit to Bhairahawa in the western Rupandehi District on October 17 confirmed reports that extortion was on the upswing while government presence was declining (reftel). At visits to the American Corners in both cities, business representatives explained how Maoist interference impeded all business. Members of the Chamber of Industry Morang (CIM) listed capital flight and artificial inflation of labor wages due to Maoist labor union agitation. In addition to threatening industries, political leaders said Maoists extorted money from social work facilities and NGOs. (Note: UN officials canceled the SCA/INS Director's

visit to the Bhutanese refugee camp Sanishcare due, she believes, to security concerns surrounding an impromptu Maoist strike. End Note.) Security officials said Maoists were using the extorted money to purchase arms from across the border in India, support the People's Liberation Army, purchase property for Maoist leaders in India, and invest in legitimate industries such as local transportation.

SITUATION WORSE THAN BEFORE APRIL CEASE-FIRE

13. (C) Maoist taxation was also affecting business more than before the April 2006 cease-fire. Government officials in Bhairahawa noted that Maoists had been extorting money via telephone before the cease-fire, but now they did so in person. The Chief District Officer (CDO) in Biratnagar reported to the SCA/INS Director that Maoists were taxing people at both the District Development Committee (DDC) and the Village Development Committee (VDC) levels. In Bhairahawa, for example, our contact noted that the Maoist sister organization Madhesi Mukti Morcha (Terai Liberation Front) was organizing a convention from November 1-3, and that the Maoists had started collecting 20 million rupees (approx USD 20,000) from the local business community and ordering local hotels to sponsor free food and lodging for the convention.

STONE CRUSHING COMPANY GETS SQUEEZED

14. (C) Likewise, while in Bhairahawa, Emboffs visited Muktinath Concrete Udoyog, the largest stone crushing company in Nepal. According to a prominent local social leader and journalist, the factory owner paid a lump sum of 1.6 million

rupees (USD 22,000) to the Maoists in the factory's first year. The following year, the factory paid 67 million rupees (USD 921,000) in royalties to the DDC for collecting boulders, gravel, and sand. The Maoists in turn demanded the same amount as their royalty tax for collecting stones from the river basin where the owner's business operates. Ultimately, the owner paid the whole amount to the Maoists so that his workers could return to work in the riverbed.

LOCAL LEADERS PUSH BACK IN BHAIRAHAWA

15. (C) However, there were examples of the business community pushing back on Maoist extortion in October. The Federation of Nepalese Chambers of Commerce and Industry (FNCCI) organized a nation-wide strike to protest extortion by Maoists on October 17, despite an appellate court interim order to not stage the strike and the Prime Minister's promise to meet FNCCI demands. In addition, on October 2, an Embassy contact in Bhairahawa reported an example of local leaders successfully challenging local Maoist supremacy. He said that the local political leaders, in discussions with the CDO, Army and Police, had managed to remove the Maoist People's Liberation Army (PLA) from the Gorkha Biscuit Factory in Bhairahawa, where they had been camping for two weeks. After local leaders raised the issue with Maoist leaders, Prachanda ordered the PLA to evacuate the factory as soon as possible. The Police were deployed to the Factory as soon as the Maoists left.

BUSINESSMEN FLEEING TO INDIA

16. (C) Business leaders informed Emboffs that many in the business communities in both Bhairahawa and Biratnagar had been fleeing to India to escape Maoist extortion. Party leaders in Bhairahawa said Government of India (GOI) officials knew Nepalis were entering India to re-start their businesses, but also that the GOI was not in a position to compel them to return to Nepal. Brigadier General Rawal, Commander of the Nepal Army's 22nd Brigade, further noted to DATT that members of the Communist Party of Nepal - Maoist (CPN-M) in Bhairahawa were communicating well with their

Naxalite counterparts across the border.

MAOIST CUSTOMS FACILITIES

¶17. (C) At the Sunadel border crossing just south of Bhairahawa, officials told DATT and Emboffs that Maoists were patrolling the border crossings and collecting money as people crossed from India to Nepal. Emboffs saw no police presence when they visited the border crossing. In Biratnagar Superintendent of Police (SP) Bhandari claimed that Maoists were seen on October 13 preparing to open a parallel customs office near the Jogbeni market (where most low-level smuggling occurred). He added that the Maoists were planning to collect customs revenue at 50 percent less than Government of Nepal (GON) rates. Customs officials, however, denied that Maoists had entered customs facilities or were interfering with operations, and claimed Maoists were only planning to collect money from smugglers at the parallel customs office, thus not depriving GON Customs of revenue. They conceded, however, that the Armed Police Force assigned to the border were merely observing and not interfering in any Maoist activities.

PASSIVE SECURITY PERSONNEL

¶18. (C) According to local political and security leaders, Police and Nepal Army officials in both towns had remained inactive in the face of increased Maoist criminal behavior and illegal activity. SP Bhandari, who was frustrated by the continued lack of orders from Kathmandu to check Maoist lawlessness, said a Maoist cadre had taken control of two abandoned police stations in Morang District since the week of October 9. He also reported that, on October 13, Maoists had taken over a third abandoned station near the Sanischare Bhutanese refugee camp, where they openly proclaimed their intent to begin patrolling and resolving disputes. Officials

at the National Human Rights Commission (NHRC) in Biratnagar relayed an instance to the SCA/INS Director where, upon learning an arrested suspect was a Maoist, Maoists gave him back his weapon, seized cash, and sent him on his way. Driving through Butwal, a major crossroads city of 80,000, 25 km north of Bhairahawa, our contact described the area as "completely under Maoist control." Emboffs observed a few police check points where police were largely inactive and completely unarmed.

¶19. (C) Local officials reported that Maoists had also set up mobile parallel courts in each of the two towns. The Nepali National Human Rights Commission (NHRC) confirmed to SCA/INS Office Director that "People's Courts" were active in Morang District.

PARTY WORKERS INTIMIDATED

¶10. (C) Political leaders in Bhairahawa also lamented to Emboffs that people were too scared to join political parties or take part in party activities because of Maoist intimidation. Brigadier Rawal mentioned that the Maoists were working to bring several unions and minority groups, such as women, farmers, Dalits, and even Muslims, into their expanding united front, through propaganda that instilled in them a feeling of power. Strategically, he reported, Maoists were making great strides in the political arena. Although the officials in both towns stated that abductions and killings had decreased since the People's Movement in April, they said the Maoists' scare tactics were still successful in preventing political work by the democratic parties.

THE WAY FORWARD: MAOIST INTEGRATION THE ANSWER

¶11. (C) Leaders in both Bhairahawa and Biratnagar claimed that Maoist integration into the GON would put an end to Maoist criminal behavior. The Acting CDO in Biratnagar

stated a peace deal "had to" be struck. He opined hopefully that Maoists would behave after joining the GON because they would be obliged to abide by GON rules and regulations and would be held accountable by the Nepali population. Similarly, the General Secretary of the Communist Party Nepal - United Marxist Leninist (CPN-UML) in Bhairahawa said things would be "easier" if the Maoists joined the mainstream, while the local Nepali Congress leader noted that criminals within the Maoists might not be easily controlled even if the CPN-M joined the government.

... BUT THE POLICE NEED HELP

¶12. (C) Nepal Army Brigadier Rawal, however, recognized that many of the Maoists were young men with guns behaving like criminals. He stressed that the Nepal Police and the Armed Police Force need reinforcement, morale building, and orders from above. While praising Prime Minister (PM) Koirala for not giving in to the Maoists and noting that the PM would fight if necessary, Rawal said he did not understand why the GON refused to publicly declare there could only be one state in Nepal, not two. Until then, he explained, the police would not be capable of enforcing law and order.

AND PROBLEMS WILL LINGER

¶13. (C) Rawal also expressed concern that even if the Maoists separated from their arms, they could still maintain the small, homemade weapons (socket bombs, knives, etc.) that they used most often to terrorize people. He further worried that holding Constituent Assembly elections in June 2007 would be too early, as there were still a lot of issues to be worked out and the potential for Maoist intimidation would be high. On the question of Maoist integration in the armed forces, he explained that the majority of the PLA were indoctrinated by communist dogma and had a very low level of education. According to Rawal, integration would take a long time.

COMMENT

¶14. (C) If the Maoists come in the government, the political and security officials in both Biratnagar and Bhairahawa remain optimistic that the GON will hold them accountable for their actions. However, local officials' passivity and Maoist pressure in both the west and the east, highlight, in our view, the critical need for the GON to provide instructions and support law and order in the border areas. Local political and security officials can sometimes succeed in correcting Maoist abuses, as the Gorkha Factory case demonstrated, but that case is far from the norm. We have no clear signals from the GON that, if a peace accord is struck, it will be less worried about disrupting the peace and thus more willing to re-deploy security forces aggressively within the Valley and beyond. Even if Kathmandu does give orders to restore law and order, it is questionable whether local officials will feel confident enough in their mandate to give police and administrative leaders the go ahead. Post will continue to encourage officials both in Kathmandu and at the local level to embolden police and administrative leaders to enforce law and order.

¶15. (U) This cable has been cleared by SCA/INS Director Marcia Bernicat.
MORIARTY